



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

October 7, 2004

Dear Prospective Offeror:

Formal Notice of Request for Proposal

Western Area Power Administration (Western) is soliciting proposals for supply of power and related services for the Naval and Marine Corps Facilities (Navy) located in the San Diego Gas & Electric, Southern California Edison, and Pacific Gas and Electric, service territories in the state of California.

The RFP's Attachment 1 (A1) delineates various product types, quantities, and durations for capacity and energy products. The RFP also requests pricing for Energy Service Provider and Schedule Coordination services (ESP). Suppliers may offer proposals for either capacity and energy or ESP products or all products being solicited.

Letters of intent to submit proposals are required to be submitted by October 26, 2004, 10:00 AM MST, by e-mail, mail, or fax as specified in the RFP. A list of prospective suppliers will be generated from letters of intent. Western will provide suppliers with contract templates for power purchases and/or ESP services on or around November 2, 2004. Western will begin contract negotiations with all listed suppliers immediately following delivery of contract templates.

Proposals must be submitted by November 30, 2004, 10:00 AM MST, by e-mail, mail, or fax as specified in the RFP. Western and the Navy may choose to award by 3:00 PM MST, at which time contracts shall be signed and executed. If needed, Western and the Navy may ask for a refresh of prices to be supplied on December 2, 2004, 10:00 AM MST, with final contracts signed and executed by 3:00 PM.

If you have any questions regarding this RFP please contact Mike Simonton at (602) 352-2675.

Sincerely,

A handwritten signature in black ink, reading "Jean Gray", is written over the typed name.

Jean Gray
Assistant Regional Manager
For Power Marketing

Attachments

**REQUEST FOR PROPOSAL
CAPACITY AND ENERGY BASED DELIVERY
ENERGY SERVICE PROVIDER AND
SCHEDULING COORDINATOR SERVICES**

October 7, 2004

1. Background

Western Area Power Administration - Desert Southwest Customer Service Region (Western) is soliciting proposals for an economic supply of capacity and energy along with registered Energy Service Provider (ESP) market services and certified Scheduling Coordination (SC) power scheduling coordination services for the Naval and Marine Corps Facilities (Navy) located in the San Diego Gas & Electric, Southern California Edison, and Pacific Gas and Electric, service territories in the state of California. It is requested that each supplier provide prices for Power Requirements in Section 2 separately from ESP and SC Requirements described in section 3. Offerors can offer prices on either Section 2, Section 3, or both.

2. Power Requirements

2.1. Products:

Term:	Prices are requested for various terms as specified In Section 7.1 and Attachment 1 (A1)
Point(s) of Delivery:	As specified in A1
Pre-Scheduling:	Pursuant to WECC ISAS daily scheduling calendar except when specifically stated otherwise in A1
Quantities:	Quantities and Deliverables are specified in (A1)
Type:	Western Systems Power Pool (WSPP) Schedule C, Firm Energy and Capacity
Underlying Agreement/ Contingencies:	WSPP except for provisions specified during Western's contract development

3. Energy Service Provider and Scheduling Coordinator Requirements

3.1. The Contractor will provide the Navy with market representation services to sell and purchase energy in the California Independent System Operator Corporation (ISO) markets. The Contractor must be registered by the California Public Utilities Commission (CPUC) as an ESP with legal authority to serve retail electric loads within the San Diego Gas and Electric (SDG&E), Southern California Edison (SCE), and Pacific Gas and Electric (PG&E) service territories. Real time telemetry for all Navy loads is currently not available.

3.2. The Contractor must be certified with the ISO and approved to schedule power across the ISO-operated Grid for the Navy.

3.3. The Contractor shall provide load management, oversight, scheduling and coordination services necessary for delivery of all power to Navy loads as specified in Attachment 2 (A2).

3.4. The Contractor shall furnish all labor, material, tools, equipment and incidentals to supply and deliver retail power and ancillary services to the Navy facilities located in each service territory.

3.5. The Contractor shall provide firm electric commodity to serve the Navy load at times in which the load exceeds the power pre-purchased by Western on the Navy's behalf (included in this RFP) pursuant to Section 2. The Contractor shall receive and pay for invoices related to pre-purchased Navy power and directly pass-through without mark-up the costs to the Navy in the consolidated billing process.

3.6. The Contractor shall market firm electric commodity purchased by Western on the Navy's behalf that is in excess of the Navy's loads.

3.7. Offerors are requested to provide acceptable pricing strategies for surplus and deficient energy relative to the Navy loads. Methods of pricing strategies utilizing indexing are preferred. Any indexing shall utilize the Dow Jones Newswires indexing publication (<http://www.dowjonesnews.com>).

3.8. The Contractor shall have a service agreement in place with each of the Utility Distribution Companies (UDC's) and be able to provide all services for delivery, coordination, and billing of all power delivered to the UDC's for redelivery to the designated meters.

3.9. The Contractor shall provide the following consolidated billing services:

3.9.1. Formulation and itemized presentation of all fees to be applied for ESP/SC services and power purchases net power sales is to be presented monthly to the Navy for verification and payment.

3.9.2. Total net fees to be collected monthly shall be divided up among all 12 Navy customers according to monthly load share. Each Navy customer shall be presented a monthly bill for payment based upon its corresponding monthly load share percentage.

3.9.3. The Contractor shall supply each of the Navy's 12 customers with an individual bill. The sum of all Navy customers' bills shall be equal to all fees to be collected for ESP/SC services and power purchases net power sales transactions for each corresponding month.

3.10. The Contractor shall provide record keeping of hourly demand and consumption, for all interval metered accounts, in Excel format monthly.

4. ESP Payment – Fees assessed by the Contractor to the Navy for ESP and SC services may include, but not limited to, the following:

- 4.1. Services that require an aggregated fixed fee per MWh for service:
 - ISO grid management fees
 - Necessary overhead expenses
 - Energy imbalance fees
 - Consolidated billing services
 - Schedule coordination and facilitation
 - Load Management
 - Market Representation

4.2. All Ancillary Service fees as defined by the ISO for spinning, non-spinning, replacement reserves, regulation (AGC), voltage control and black start capability shall be assessed as a pass through at cost basis.

4.3. All costs not listed in 4.1 and 4.2 associated with power purchased to serve Navy's load that is in excess of power pre-purchased by Western on the Navy's behalf pursuant to Section 2 shall be incurred by the ESP. Pricing to be passed through to the Navy for such purchases shall be established according to strategies resulting from section 3.7 as mutually agreed to by Offeror, Western, and the Navy, and shall be billed directly to the Navy.

4.4. All revenues collected from sales of power purchased by Western on the Navy's behalf shall result in a credit for the Navy. Pricing for such sales shall be established according to strategies resulting from section 3.7 as mutually agreed to by Offeror, Western, and the Navy.

4.5. Pricing for ESP/SC services should be provided as stated in Attachment 3 (A3).

5. Evaluation Criteria – The following criteria will be used, as deemed appropriate by Western and the Navy, to evaluate the proposals that are received and to select acceptable Offerors:

5.1. Cost – The total cost per MWh, taking into account energy charges, capacity charges, cost of fuel, ancillary service charges, transmission costs, administrative costs, market representation, power scheduling and any other charges included in the proposal.

5.2. Dependability – Generating resource(s) dependability, based on forced outage rates, scheduled maintenance outages, and the dependability of the transmission system involved in delivering the power.

5.2.1 Offerors may be asked to specify the generating unit(s) or system(s) supplying the power and to provide information about the historical dependability of the generating resource(s) using industry standard measures such as capacity factor and forced outage rates, or to provide typical outage rates for similar power plants of the same manufacturer, owner, technology, age, and fuel type.

5.2.2 Offerors will be asked to supply contract documents, certification and registration satisfying the ISO operated grid market credibility as set forth in Section 3.

5.3. Diversity – The possibility that the failure of a single generating unit or transmission facility will interrupt power delivery. The possibility that the fuel used will become unavailable or that its cost will increase to a point where continued generation is uneconomic. The possibility that future pollution control regulations will increase the cost of generation that would make it an uneconomical fuel choice.

5.3.1 Offers should include information about resource diversity, such as whether the offer is for a system resource or a unit resource.

5.4. Risk and Supplier Responsibility – The risk that the supplier will be unable to deliver the required amounts of capacity and energy, or lacks the financial resources to be able to continue operating for the entire time period proposed.

5.4.1 Offerors will be required to demonstrate both their financial stability and their operating capability. Offerors may be asked to provide information such as: annual reports, Securities and Exchange Commission 10-K and FERC Form 1 reports (where applicable), audited financial statements including income statements and balance sheets, bond ratings, evidence of required licenses, FERC approval to sell power at market-based rates (where applicable), accreditations and certifications, and information on relevant regulatory oversight.

5.5. Environmental Impact – The environmental impact of the generating resource(s), based on the type of fuel or technology used to generate the power, and compliance with applicable environmental and pollution control laws and regulations.

5.5.1 Offerors may be asked to supply information about the technology, type of fuel(s) used, generating efficiency, and compliance with applicable environmental and pollution control laws and regulations for the generating resource(s) proposed. If asked, offerors proposing a variety of resources and technologies should include the requested information about each resource and technology type where possible, and the approximate percent contribution of each to the total resources proposed.

6. Legal and Regulatory Issues

6.1. Department of Energy National Environmental Policy Act Compliance – If Western receives offer(s) for resources not yet constructed and selects the offer(s) for

further consideration, Western and the Navy must first consider the potential environmental impacts of constructing and operating the resource as required by the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. & 4321 et seq.) and the Department of Energy NEPA Implementing Procedures (40 CFR 1021). Western or the Navy may reject offers if, in their judgment, the above-mentioned compliance requirements would cause power delivery to be delayed beyond the commencement date in Section 8.2.3.

7. Contract Duration

7.1. Power – Price proposals for power are being requested for the following terms:

7.1.1. April 1, 2005 through September 30, 2005

7.1.2. October 1, 2005 through September 30, 2006

7.1.3. April 1, 2005 through September 30, 2006

7.1.4. October 1, 2006 through September 30, 2007

7.1.5. October 1, 2007 through September 30, 2008

7.2. ESP/SC Services – Price proposals for ESP/SC services are being requested for the following two terms:

7.2.1. Base Period: April 1, 2005 – September 30, 2005

7.2.2 Option 1: October 1, 2005 – September 30, 2006

Offerors are requested to provide a price for Option 1 in which the Navy will be able to continue ESP/SC services at the price offered. The Navy reserves the right to accept or decline this option in writing by August 31, 2005.

8. Process and Timing

8.1. Process – Western and the Navy request that interested parties submit a letter of intent to submit a proposal. Subsequent to receiving letters of intent, Western will supply Offerors with contract templates for ESP/SC services and power purchase requirements. After receiving contract templates, offerors will be expected to immediately begin contract negotiations with Western.

8.2. Timing and Submission of Offers – Letters of intent are due by October 26, 2004. Western will supply contract templates to qualified suppliers on or about November 2, 2004. Final proposals will be due by 10 a.m. Mountain Standard Time (MST) November 30, 2004. After offers are received, Western and Navy will evaluate

which offer best suits the Navy. If Western and the Navy deem that additional time is necessary for evaluation of proposals, Western and the Navy reserve the right to request refreshed pricing on December 2, 2004. It is anticipated that all awards will be made no later than December 2, 2004. You may send your proposal by any means described below:

Reply to: Mr. Mike Simonton, Public Utilities Specialist
Western Area Power Administration

Mail: 615 South 43rd Avenue
Phoenix, AZ 85009

Fax: (602) 352-2490

Email: simonton@wapa.gov

8.2.1. Notification that Offer was Selected – Each offeror will be notified as to whether their offer has been selected.

8.2.2. Contracts Signed – Contracts for delivery should be completed and signed by all parties as appropriate.

8.2.3. Commence Delivery of Power – Deliveries of power and services will commence on: April 1, 2005, or other dates as negotiated.

8.2.4. Scheduling Practices – Contractor will coordinate pre-scheduling activities in advance as agreed to by the parties.

8.2.5. Billing Practices – As specified in the signed contract.

8.3. Use of Information in Offers – Western will provide information to the Navy about the cost, terms, and conditions of the power and services offered so that they can decide whether or not to commit to a purchase.

8.4. Confidentiality – If offerors do not wish to have part or all of the information in their offer available to the public, offerors must mark the sensitive sections of the offer “Confidential.”

9. Documentation submitted by Offeror – Offers must include the name, address, and legal description of the entity submitting the proposal, and be signed by a company official with authority to make offers and legally bind the offeror. Offerors should provide information requested in Section 2 and 3, in their proposals. Including extraneous information in offers that is not requested in the RFP is discouraged.

10. Rejection or Selection of Proposals – the right is reserved by Western and the Navy to reject any or all proposals or portions of proposals, or re-solicit for proposals, if desired, based solely on their judgment, where such action is deemed the most advantageous to the Navy.

10.1. Any proposal that is incomplete, conditional, confusing, obscure, or that contains irregularities of any kind, may be rejected. In the event that a contract agreement cannot be reached with the successful offeror, Western and the Navy reserve the right to accept the proposal of any other offeror or to seek additional proposals.

11. Questions - If you have any questions concerning this document, you may contact Mike Simonton at (602) 352-2675. Thank you for your participation.

ATTACHMENT 1

Western issued Navy and Marine facilities RFP dated October 7, 2004

Offerors are to supply applicable rates in boxes provided.

Points of delivery are specified per product

ATC = Around the Clock, 7 days a week 24 hours a day.

On Peak periods are considered to be Hour Ending(HE) HE 7-22 Pacific Prevailing Time (PPT) Monday through Saturday

Off Peak periods are considered to be HE 1-6, 23 & 24 PPT Monday through Saturday & All day Sunday

Capacity based call options shall have a specified fixed capacity rate and an energy rate applicable to all power scheduled by the Navy's ESP/SC provider. Capacity/Energy is to be made available for all hours.

Hourly capacity based call option schedules are to be communicated as mutually agreed by 9:00 AM PPT the day prior to delivery.

1.0 APRIL 1, 2005 through SEPTEMBER 30, 2005

1.1 Fixed Rate Products

	SP15		NP15		SP15		SP15	
	Base Load	Price	Base Load	Price	ON	Price	OFF	Price
	ATC (MW)	\$/Mwh	ATC (MW)	\$/Mwh	Peak (MW)	\$/Mwh	Peak (MW)	\$/Mwh
Apr-05	115		2		5		0	
May-05	115		2		5		0	
Jun-05	115		2		15		5	
Jul-05	115		2		15		10	
Aug-05	115		2		15		10	
Sep-05	115		2		15		10	

1.2 Summed Fixed Rate Products

If discounts can be provided from purchasing fixed rate products in summed blocks please provide a single discounted rate per product listed in section 1.1 here:

	SP15	NP15	SP15	SP15
	Base Load	Base Load	On Peak	Off Peak
	\$/Mwh	\$/Mwh	\$/Mwh	\$/Mwh
Apr. 1, 2005 - Sept. 30, 2005:				

1.3 Fixed Rate Products Combined

If discounts can be provided from purchasing all fixed rate products combined please provide a single discounted rate for all products listed in section 1.1 here:

Various products	\$/Mwh
Apr. 1, 2005 - Sept. 30, 2005:	

1.4 Capacity Based Call-Options

	SP15	Capacity	Energy
	Capacity	Rate	Rate
	MW	\$/KW-Month	\$/Mwh
Apr-05	15		
May-05	20		
Jun-05	25		
Jul-05	25		
Aug-05	25		
Sep-05	25		

ATTACHMENT 1 (continued)

Western issued Navy and Marine facilities RFP
dated October 7, 2004

2.0 OCTOBER 1, 2005 through SEPTEMBER 30, 2006**2.1 Fixed Rate Products**

	SP15 Base Load ATC (MW)	Price \$/Mwh	NP15 Base Load ATC (MW)	Price \$/Mwh	SP15 ON Peak (MW)	Price \$/Mwh	SP15 OFF Peak (MW)	Price \$/Mwh
Oct-05	115		2		10		10	
Nov-05	115		2		5		0	
Dec-05	115		2		10		10	
Jan-06	115		2		5		5	
Feb-06	115		2		10		10	
Mar-06	115		2		0		0	
Apr-06	115		2		5		0	
May-06	115		2		5		0	
Jun-06	115		2		15		5	
Jul-06	115		2		15		10	
Aug-06	115		2		15		10	
Sep-06	115		2		15		10	

2.2 Summed Fixed Rate Products

If discounts can be provided from purchasing fixed rate products in summed blocks please provide a single discounted rate per product listed in section 2.1 here:

	SP15 Base Load \$/Mwh	NP15 Base Load \$/Mwh	SP15 On Peak \$/Mwh	SP15 Off Peak \$/Mwh
Oct. 1, 2005 - Sept. 30, 2006:				

2.3 Fixed Rate Products Combined

If discounts can be provided from purchasing all fixed rate products combined please provide a single discounted rate for all products listed in section 2.1 here:

Various products	\$/Mwh
Oct. 1, 2005 - Sept. 30, 2006:	

2.4 Capacity Based Call-Options

	SP15 Capacity MW	Capacity Rate \$/KW-Month	Energy Rate \$/Mwh
Oct-05	25		
Nov-05	20		
Dec-05	20		
Jan-06	20		
Feb-06	15		
Mar-06	15		
Apr-06	15		
May-06	20		
Jun-06	25		
Jul-06	25		
Aug-06	25		
Sep-06	25		

ATTACHMENT 1 (continued)

Western issued Navy and Marine facilities RFP
dated October 7, 2004

3.0 APRIL 1, 2005 through SEPTEMBER 30, 2006**3.1 Summed Fixed Rate Products**

If discounts can be provided from purchasing fixed rate products in summed blocks please provide a single discounted rate per product listed in section 1.1 and 2.1 here:

Apr. 1, 2005 - Sept. 30, 2006:	SP15	NP15	SP15	SP15
	Base Load	Base Load	On Peak	Off Peak
	\$/Mwh	\$/Mwh	\$/Mwh	\$/Mwh
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3.2 Fixed Rate Products Combined

If discounts can be provided from purchasing all fixed rate products together please provide a single discounted rate for all products listed in sections 1.1 and 2.1 here:

Various products	\$/Mwh
Apr. 1, 2005 - Sept. 30, 2006:	<input type="text"/>

ATTACHMENT 1 (continued)

Western issued Navy and Marine facilities RFP
dated October 7, 2004

4.0 OCTOBER 1, 2006 through SEPTEMBER 30, 2007

4.1 Fixed Rate Products

	SP15 Base Load ATC (MW)	Price \$/Mwh	NP15 Base Load ATC (MW)	Price \$/Mwh	SP15 ON Peak (MW)	Price \$/Mwh	SP15 OFF Peak (MW)	Price \$/Mwh
Oct-06	115		2		10		10	
Nov-06	115		2		5		0	
Dec-06	115		2		10		10	
Jan-07	115		2		5		5	
Feb-07	115		2		10		10	
Mar-07	115		2		0		0	
Apr-07	115		2		5		0	
May-07	115		2		5		0	
Jun-07	115		2		15		5	
Jul-07	115		2		15		10	
Aug-07	115		2		15		10	
Sep-07	115		2		15		10	

4.2 Summed Fixed Rate Products

If discounts can be provided from purchasing fixed rate products in summed blocks please provide a single discounted rate per product listed in section 4.1 here:

	SP15 Base Load \$/Mwh	NP15 Base Load \$/Mwh	SP15 On Peak \$/Mwh	SP15 Off Peak \$/Mwh
Oct. 1, 2006 - Sept. 30, 2007:				

4.3 Fixed Rate Products Combined

If discounts can be provided from purchasing all fixed rate products combined please provide a single discounted rate for all products listed in section 4.1 here:

Various products	\$/Mwh
Oct. 1, 2006 - Sept. 30, 2007:	

4.4 Capacity Based Call-Options

	SP15 Capacity MW	Capacity Rate \$/KW-Month	Energy Rate \$/Mwh
Oct-06	25		
Nov-06	20		
Dec-06	20		
Jan-07	20		
Feb-07	15		
Mar-07	15		
Apr-07	15		
May-07	20		
Jun-07	25		
Jul-07	25		
Aug-07	25		
Sep-07	25		

ATTACHMENT 1 (continued)

Western issued Navy and Marine facilities RFP
dated October 7, 2004

5.0 OCTOBER 1, 2007 through SEPTEMBER 30, 2008

5.1 Fixed Rate Products

	SP15 Base Load ATC (MW)	Price \$/Mwh	NP15 Base Load ATC (MW)	Price \$/Mwh	SP15 ON Peak (MW)	Price \$/Mwh	SP15 OFF Peak (MW)	Price \$/Mwh
Oct-07	115		2		10		10	
Nov-07	115		2		5		0	
Dec-07	115		2		10		10	
Jan-08	115		2		5		5	
Feb-08	115		2		10		10	
Mar-08	115		2		0		0	
Apr-08	115		2		5		0	
May-08	115		2		5		0	
Jun-08	115		2		15		5	
Jul-08	115		2		15		10	
Aug-08	115		2		15		10	
Sep-08	115		2		15		10	

5.2 Summed Fixed Rate Products

If discounts can be provided from purchasing fixed rate products in summed blocks please provide a single discounted rate per product listed in section 5.1 here:

	SP15 Base Load \$/Mwh	NP15 Base Load \$/Mwh	SP15 On Peak \$/Mwh	SP15 Off Peak \$/Mwh
Oct. 1, 2007 - Sept. 30, 2008:				

5.3 Fixed Rate Products Combined

If discounts can be provided from purchasing all fixed rate products combined please provide a single discounted rate for all products listed in section 5.1 here:

Various products	\$/Mwh
Oct. 1, 2007 - Sept. 30, 2008:	

5.4 Capacity Based Call-Options

	SP15 Capacity MW	Capacity Rate \$/KW-Month	Energy Rate \$/Mwh
Oct-07	25		
Nov-07	20		
Dec-07	20		
Jan-08	20		
Feb-08	15		
Mar-08	15		
Apr-08	15		
May-08	20		
Jun-08	25		
Jul-08	25		
Aug-08	25		
Sep-08	25		

ATTACHMENT 2

Western issued Navy and Marine facilities RFP dated October 7, 2004

Estimated Loads:

SDG&E Accounts

SP15	Monthly Mwh	Peak MW
January	85546	136.2
February	74448	130.2
March	80072	126.7
April	76947	134.8
May	80324	132.4
June	80459	135.6
July	85680	140.4
August	83443	143.0
September	81639	140.9
October	82908	136.1
November	76700	136.2
December	85546	136.2

SCE Accounts

SP15	Monthly Mwh	Peak MW
January	17450	32.6
February	15792	34.3
March	12146	34.1
April	14895	32.9
May	17745	41.6
June	21376	42.9
July	23465	44.1
August	22875	44.8
September	21230	43.6
October	19346	38.0
November	17138	35.1
December	15063	31.2

PGE Accounts

NP15	Monthly Mwh	Peak MW
January	1783	3.7
February	1637	3.8
March	1828	4.3
April	1748	4.3
May	1836	3.5
June	1801	4.2
July	1922	4.4
August	1948	3.7
September	1878	3.8
October	1852	4.4
November	1807	4.5
December	1901	3.7

ATTACHMENT 2 (Continued)
Western issued Navy and Marine facilities RFP
dated October 7, 2004

Estimated Ship Loads:

Ship loads represent a significant share of the total Naval SDG&E loads depicted above. Upon successful Offeror's request, Navy personnel are able to provide estimated Mwh and average MW for any given day 2 business days prior to scheduled day. It is noted that load forecast information provided from the Navy would be an estimated average ships' MW per hour and values indicated below are estimated monthly ships' per

Ship Loads
SP15

	Monthly Mwh	Peak MW
January	29769	66.3
February	28490	62.6
March	26758	56.9
April	28007	59.6
May	29216	57.9
June	32200	66.7
July	34122	66.6
August	31233	67.4
September	23815	53.9
October	33852	69.0
November	28738	64.4
December	36238	68.7

ATTACHMENT 3
Western issued Navy and Marine facilities RFP
dated October 7, 2004

ESP/SC Services:

Fixed fee per MWh for the following:

- ISO grid management fees
- Necessary overhead and labor expenses
- Energy imbalance fees
- Consolidated billing services
- Schedule coordination and facilitation
- Load management
- Market representation

1.0 Base Period - April 1, 2005 through September 30, 2005

Enter fixed \$/MWh here>>

2.0 Option 1 - October 1, 2005 through September 30, 2006

*Enter fixed \$/MWh here>>

*The Navy reserves the right to accept or decline Option 1 in writing by August 31, 2005.